REGIONAL FINANCIAL POWER IN A WORLD IN TRANSITION

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In Morocco and in France, regional structures were belatedly established as territorial authorities.

- In France: regions came into being as administrative units in 1972; only in 1982 did they become territorial authorities; the first General councils were elected in 1986.

- In Morocco: 7 economic regions were created by *dahir* of 6 June 1971 and the first law organizing regions as local authorities was adopted on 2 April 1997 (Law 47-96); the reform of advanced regionalization launched in 2008 has been the driving force behind this move, followed by the 2011 Constitution.

For the regions the challenge is double: economic and social development as well as sustainability of public finances.

- During the 1960s development was vertical and exogenous.

- The 1970 crisis brought about decentralization and local endogenous development. The principle of subsidiarity emerged and the State began to disengage itself. Liberalization and local financial autonomy came to be.

- Nowadays, the sustainability of global public finances has to be guaranteed; the State's fiscal policy is being revamped (Organic Law on Finance Law); there is enhanced accountability of players and new public management.

- There can be no accountability without financial resources and management autonomy.

When it comes to regionalization, three key elements have to be taken into account: the context, financial autonomy, equalization.

1) The context: regionalization in a world in transition

What happened over the past 45 years? Shocks and mutations.
For 45 years, between 1973 and 2018, the world was transfigured and experienced economic mutations as well as mutations of public finances. Globalization and the digital revolution led to a move from a national economic and political model to a global economic and political model. National and international networks became horizontal. These are interconnected business networks within an archipelago of international metropolises.
By 2050 the global population will be as follows: 10 billion inhabitants (China: 1,35 billion; India: 1,7 billion; Africa: 2,5 billion; Europe: down except in France, Belgium, the United-Kingdom, the Netherlands, Austria); Morocco on the rise: 27%).

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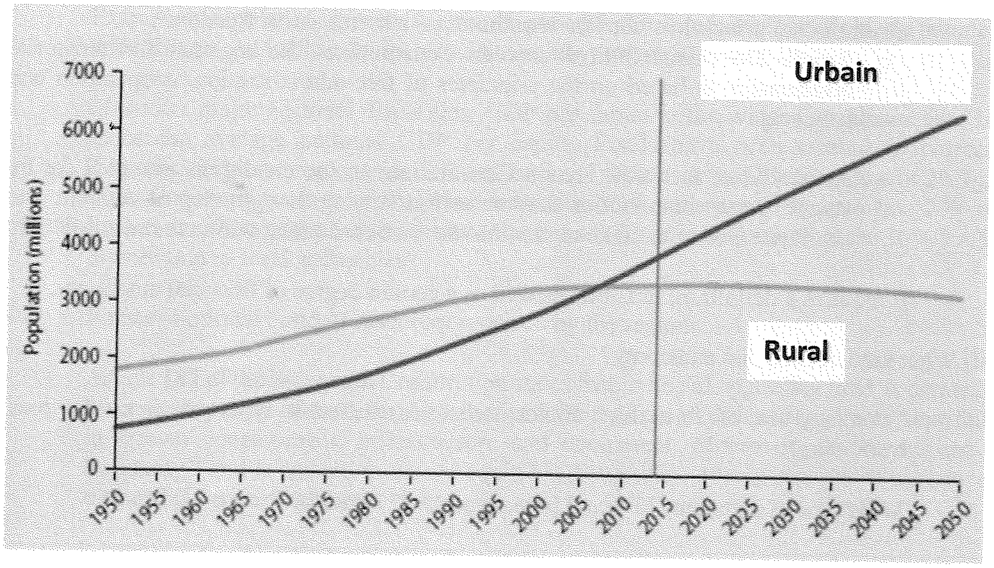

Urbanization is galloping: in 1950, 30% of the world's population lived in urban areas, against 54% in 2014. In 2050 this figure will be 66%.

For the future we can expect several types of shocks: demographic; environmental; related to metropolisation, to automation and artificial intelligence; a fiscal shock; growing social divide; poverty; security; territorial divide; population movements; smart territories.

2) Local financial autonomy:

In order to be autonomous, any power requires means and resources.

a) Local authorities under trusteeship:

- State intervention
- A priori controls
- Specific subsidies
- Supervised borrowing

b) Financial empowerment of local players

- Growing management autonomy: from specific to global subsidies, from specific to global loans, extended powers, development of local management.
- Growing fiscal autonomy: local authorities levy their own taxes, are free to vote their tax rates.
- Management autonomy + fiscal autonomy = financial autonomy.
- A posteriori control.

c) The administrative freedom of territorial authorities:

- In Morocco and in France the process of regionalization is enshrined in the constitutional principle of territorial authorities' administrative freedom:
    - o Article 136 of the 2011 Moroccan Constitution: The regional and territorial organization is based on the principles of free administration, cooperation and solidarity.
    - o Article 72 of the 1959 French Constitution: In the conditions provided for by statute, these communities shall be self-governing through elected councils and shall have power to make regulations for matters coming within their jurisdiction.

- It requires a definition, finances, as well as a certain degree of financial autonomy.

d) What kind of financial autonomy?

- What sources of financing? Taxes, subsidies, different types of proceeds, fees, borrowing.

- What type of autonomy? Fiscal? In management? Or both?

In France and Morocco the free administration of territorial authorities doesn't imply fiscal autonomy. It is not enshrined in the Constitution. In Morocco, article 141 only indicates in very general terms that territorial authorities have their own resources as well as resources allocated by the State. In both countries, the terms one's "own resources" relate to administrative freedom and financial autonomy. But the notion of one's "own resources" can encompass very different realities that necessarily have an impact on the degree of financial autonomy granted to authorities.

- Article 140 states that: On the basis of the principle of solidarity, territorial authorities have their own competences, competences shared with the State and those which are transferable to them by the latter. The regions and the other territorial authorities are provided, within their respective areas of competences and in keeping with their territorial jurisdiction, with regulatory power to exercise their competences.

- Article 141 states that: The regions and the other territorial authorities have their own financial resources and financial resources allocated by the State. Any transfer of competences from the State to territorial authorities must be accompanied by a transfer of corresponding resources.

3) What about financial equalization?

- Vertical or horizontal equalization?

- Summary indicators

- Retaining wealth and charges criteria

- Retaining objective distribution keys taking into account each region's geographical framework

- Relying on precise identification of the environment

- Examples: population, income tax, roads, per capital income, number of elderly people, tax effort, social habitat, levies related to nearby industrial towns, etc.

- Morocco: major regional disparities. GDP per capita in the wider Casablanca area is twice the average national GDP per capita. Funds have been created to correct disparities between regions (Article 142 of the Constitution and Finance Law of 2016). Financing: mobilization of State tax resources (2% of corporate income tax, 2% of income tax, 20% of the tax on insurance contracts). Involve the regions in the 30% VAT distribution to local authorities?

- France: National Fund of resources received by the regions.

- Article 142 of the Moroccan Constitution states that: A social upgrading fund is created, for a given period of time, for the benefit of the regions, in order to make up shortfall in human development, infrastructure and equipment. Moreover, an Interregional Solidarity Fund is created to ensure equitable distribution of resources so as to reduce disparities between regions.

- Moroccan decrees dated 4 December 2017:

  - Criteria applicable to the Social Upgrading Fund: GDP per capita, number of inhabitants in rural areas, amount of State and public entities investment in the region, regional vulnerability, nature of the projects the region wants to finance.

  - Criteria applicable to the Interregional Solidarity Fund: human development index, GDP per capita, number of people unemployed, number of inhabitants in rural areas, number of inhabitants in suburban areas, nature of the projects financed on the basis of the priorities established in public policies.

Conclusion:

Equalization is meant to allow the most deprived communities not to forever live on handouts but to eventually be able to provide their constituents with services on their own and to act independently to address the root causes of inequalities. It should no longer follow a handout rationale but an outcome assessment rationale.